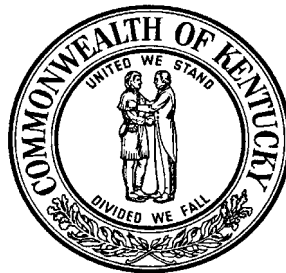


**REPORT OF THE AUDIT OF THE  
BULLITT COUNTY  
SHERIFF'S SETTLEMENT - 2004 TAXES**

**April 29, 2005**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Kenneth Rigdon, Bullitt County Judge/Executive  
Honorable Paul Parsley, Bullitt County Sheriff  
Members of the Bullitt County Fiscal Court

The enclosed report prepared by Berger & Company, CPA, PSC, Certified Public Accountants, presents the Bullitt County Sheriff's Settlement - 2004 Taxes as of April 29, 2005.

We engaged Berger & Company, CPA, PSC to perform the financial audit of this statement. We worked closely with the firm during our report review process; Berger & Company, CPA, PSC evaluated the Bullitt County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Crit Luallen  
Auditor of Public Accounts

Enclosure





**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**BULLITT COUNTY**  
**SHERIFF'S SETTLEMENT - 2004 TAXES**

**April 29, 2005**

Berger & Company, CPA, PSC has completed the audit of the Sheriff's Settlement - 2004 Taxes for Bullitt County Sheriff as of April 29, 2005. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$31,020,310 for the districts for 2004 taxes, retaining commissions of \$872,068 to operate the Sheriff's office. The Sheriff distributed taxes of \$30,103,228 to the districts for 2004 Taxes. Taxes of \$500 are due to the districts from the Sheriff and refunds of \$216 are due to the Sheriff from the taxing districts.

**Comment:**

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits.

**Deposits:**

On November 6, 2004, \$6,034,664 of the Bullitt County Sheriff's deposits of public funds in depository institutions were uninsured and unsecured.



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To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Kenneth Rigdon, Bullitt County Judge/Executive

Honorable Paul Parsley, Bullitt County Sheriff

Members of the Bullitt County Fiscal Court

### Independent Auditor's Report

We have audited the Bullitt County Sheriff's Settlement - 2004 Taxes as of April 29, 2005. This tax settlement is the responsibility of the Bullitt County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Bullitt County Sheriff's taxes charged, credited, and paid as of April 29, 2005, in conformity with the modified cash basis of accounting.

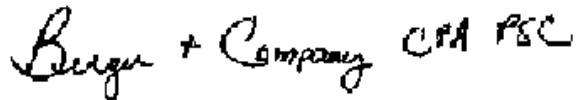
In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2005, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Kenneth Rigdon, Bullitt County Judge/Executive  
Honorable Paul Parsley, Bullitt County Sheriff  
Members of the Bullitt County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits.

Respectfully submitted,

A handwritten signature in black ink that reads "Berger & Company CPA PSC". The script is cursive and somewhat stylized.

Berger & Company, CPA, PSC

Audit fieldwork completed -  
September 29, 2005

BULLITT COUNTY  
PAUL PARSLEY, COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2004 TAXES

April 29, 2005

| <u>Charges</u>                        | <u>County Taxes</u> | <u>Special<br/>Taxing Districts</u> | <u>School Taxes</u>  | <u>State Taxes</u>  |
|---------------------------------------|---------------------|-------------------------------------|----------------------|---------------------|
| Real Estate                           | \$ 2,926,576        | \$ 4,463,093                        | \$ 16,426,587        | \$ 4,122,381        |
| Tangible Personal Property            | 206,882             | 275,454                             | 715,484              | 525,487             |
| Intangible Personal Property          |                     |                                     |                      | 292,265             |
| Fire Protection                       | 538                 |                                     |                      |                     |
| Increases Through Exonerations        | 2,422               | 2,541                               | 10,220               | 1,698               |
| Franchise Corporation                 | 172,016             | 215,706                             | 639,121              |                     |
| Distilled Spirits Taxes               | 201,300             | 151,545                             | 696,321              |                     |
| Additional Billings                   | 747                 | 1,122                               | 3,927                | 1,304               |
| Limestone, Sand, and Mineral Reserves | 1,163               | 2,029                               | 6,527                | 1,638               |
| Bank Franchises                       | 104,054             |                                     |                      |                     |
| Penalties                             | 14,277              | 21,838                              | 79,264               | 20,938              |
| Adjusted to Sheriff's Receipt         | (700)               | 19,523                              | (4,657)              | (1,559)             |
| Gross Chargeable to Sheriff           | <u>\$ 3,629,275</u> | <u>\$ 5,152,851</u>                 | <u>\$ 18,572,794</u> | <u>\$ 4,964,152</u> |
| <u>Credits</u>                        |                     |                                     |                      |                     |
| Exonerations                          | \$ 7,018            | \$ 10,703                           | \$ 37,924            | \$ 182,615          |
| Discounts                             | 56,150              | 79,101                              | 287,398              | 76,418              |
| Delinquents:                          |                     |                                     |                      |                     |
| Real Estate                           | 57,632              | 85,547                              | 323,485              | 81,181              |
| Tangible Personal Property            | 1,414               | 1,786                               | 4,891                | 4,375               |
| Intangible Personal Property          |                     |                                     |                      | 1,124               |
| Total Credits                         | <u>\$ 122,214</u>   | <u>\$ 177,137</u>                   | <u>\$ 653,698</u>    | <u>\$ 345,713</u>   |
| Taxes Collected                       | \$ 3,507,061        | \$ 4,975,714                        | \$ 17,919,096        | \$ 4,618,439        |
| Less: Commissions *                   | <u>149,339</u>      | <u>131,937</u>                      | <u>394,221</u>       | <u>196,571</u>      |
| Taxes Due                             | \$ 3,357,722        | \$ 4,843,777                        | \$ 17,524,875        | \$ 4,421,868        |
| Taxes Paid                            | 3,352,756           | 4,837,570                           | 17,498,763           | 4,414,139           |
| Refunds (Current and Prior Year)      | <u>4,966</u>        | <u>6,423</u>                        | <u>25,612</u>        | <u>7,729</u>        |
| Due Districts or (Refund Due Sheriff) |                     | **                                  |                      |                     |
| as of Completion of Fieldwork         | <u>\$</u>           | <u>\$ (216)</u>                     | <u>\$ 500</u>        | <u>\$</u>           |

The accompanying notes are an integral part of this financial statement.

BULLITT COUNTY  
 PAUL PARSLEY, COUNTY SHERIFF  
 SHERIFF'S SETTLEMENT - 2004 TAXES  
 April 29, 2005  
 (Continued)

\* Commissions:

|          |    |            |
|----------|----|------------|
| 10% on   | \$ | 10,000     |
| 4.25% on | \$ | 10,644,108 |
| 2.2% on  | \$ | 17,919,096 |
| 1% on    | \$ | 2,447,106  |

\*\* Special Taxing Districts:

|                                 |    |              |
|---------------------------------|----|--------------|
| Library District                | \$ | (14)         |
| Health District                 |    | (28)         |
| Extension District              |    | (2)          |
| Plum Creek Watershed District   |    | 107          |
| Mt. Washington Fire District    |    | 43           |
| Zoneton Fire District           |    | (206)        |
| Southeast Bullitt Fire District |    | (108)        |
| Nichols Fire District           |    | (8)          |
|                                 |    | <hr/>        |
| Refund Due Sheriff              | \$ | <u>(216)</u> |

BULLITT COUNTY  
NOTES TO FINANCIAL STATEMENT

April 29, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposit

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of November 6, 2004, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$6,034,664 of public funds uninsured and unsecured.

BULLITT COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 April 29, 2005  
 (Continued)

Note 2. Deposit (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of November 6, 2004.

|   | <u>Bank Balance</u>         |
|---|-----------------------------|
| FDIC insured  | \$ 100,000                  |
| Collateralized with securities held by pledging depository institution<br>in the county official's name | 17,000,000                  |
| Uncollateralized and uninsured  | <u>6,034,664</u>            |
| Total   | <u><u>\$ 23,134,664</u></u> |

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2004. Property taxes were billed to finance governmental services for the year ended June 30, 2005. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 1, 2004 through April 29, 2005.

Note 4. Interest Income

The Bullitt County Sheriff earned \$52,594 as interest income on 2004 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Bullitt County Sheriff collected \$113,544 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Bullitt County Sheriff collected \$1,460 of advertising costs and \$6,660 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

BULLITT COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 29, 2005  
(Continued)

Note 7. Tax Escrow Accounts

A. 2002 Tax Account

The 2002 tax escrow account is used to deposit any unrefundable duplicate payments and unexplained receipts in an interest bearing account. The beginning balance as of January 1, 2004 was \$10,470. Deposits for the period were \$1,580. Disbursements were \$6,957. The ending balance as of December 31, 2004 was \$5,093.

B. 2000 Tax Account

The 2000 tax escrow account is used to deposit any unrefundable duplicate payments and unexplained receipts in an interest bearing account. The beginning balance as of January 1, 2004 was \$4,255. Deposits for the period were \$95. Disbursements were \$91. The ending balance as of December 31, 2004 was \$4,259.

C. 1999 Tax Account

The 1999 tax escrow account is used to deposit any unrefundable duplicate payments and unexplained receipts in an interest bearing account. The beginning balance as of January 1, 2004 was \$3,501. Deposits for the periods were \$78. Disbursements were \$74. The ending balance as of December 31, 2004 was \$3,505.

D. 1998 Tax Account

The 1998 tax escrow account is used to deposit any unrefundable duplicate payments and unexplained receipts in an interest bearing account. The beginning balance as of January 1, 2004 was \$5,126. Deposits for the period were \$115. Disbursements were \$109. The ending balance as of December 31, 2004 was \$5,132.

E. 1997 Tax Account

The 1997 tax escrow account is used to deposit any unrefundable duplicate payments and unexplained receipts in an interest bearing account. The beginning balance as of January 1, 2004 was \$3,388. Deposits for the period were \$76. Disbursements for the period were \$72. The ending balance as of December 31, 2004 was \$3,392.

The Sheriff has attempted to return overpayments to taxpayers. According to KRS 393.090, effective through June 23, 2003, property is presumed abandoned after seven years, after which time it is to be turned over to the Kentucky State Treasurer. After KRS 393.090 was amended, effective June 24, 2003, property is presumed abandoned after three years, after which time it is to be turned over to the Kentucky State Treasurer, in accordance with KRS 393.110.

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COMMENT AND RECOMMENDATION



BULLITT COUNTY  
PAUL PARSLEY, COUNTY SHERIFF  
COMMENT AND RECOMMENDATION

As of April 29, 2005

STATE LAWS AND REGULATIONS:

The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On November 6, 2004, \$6,034,664 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*Sheriff's Response: We now have a program in effect to prevent this in the future.*

INTERNAL CONTROL - REPORTABLE CONDITIONS:

None

PRIOR YEAR:

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

This was not corrected and is repeated in the current year.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





The Honorable Kenneth Rigdon, Bullitt County Judge/Executive  
The Honorable Paul Parsley, Bullitt County Sheriff  
Members of the Bullitt County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Bullitt County Sheriff's Settlement - 2004 Taxes as of April 29, 2005, and have issued our report thereon dated September 29, 2005. The County Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bullitt County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

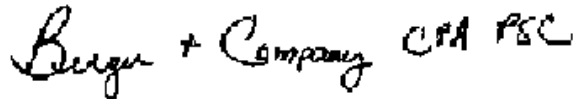
As part of obtaining reasonable assurance about whether the Bullitt County Sheriff's Settlement - 2004 Taxes as of April 29, 2005 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards, and is described in the accompanying comment and recommendation.

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Berger & Company CPA PSC". The script is cursive and fluid, with the company name and credentials clearly legible.

Berger & Company, CPA, PSC

Audit fieldwork completed -  
September 29, 2005



